



Committed to the future of rural communities.

# Illinois Guaranteed News June/July 2006



## ***JUNE IS HOMEOWNERSHIP MONTH!***

### **ILLINOIS RURAL DEVELOPMENT LEADS THE NATION AGAIN!**

- **OVER 1900 Guaranteed loans**
- **OVER 600 Direct loans and grants**

The popularity of USDA Rural Development programs is growing! More homebuyers, lenders, real estate agents, and others throughout the community are choosing **GUARANTEED** financing as their first choice in loan programs!

#### **THE BENEFITS OF GUARANTEED FINANCING ARE CLEAR:**

- **100% financing, no downpayment necessary:** Clients can keep their savings for emergency funds, investments, debt reduction, moving expenses, etc. Downpayments are accepted up to 19%.
- **No expensive monthly mortgage insurance (MI or PMI):** MI can add an additional \$50-\$150 (or more) to a clients monthly payment. This can dramatically reduce their purchasing power.
- **Not FICO driven:** Guaranteed loans offer flexible credit guidelines focused on making common sense decisions. Clients without traditional credit histories are easy to qualify.
- **No maximum purchase price:** Clients may buy the home that best meets their needs without price restrictions.
- **30 year fixed rates:** The mortgage payment a client qualifies for today, is the payment they can count on and budget for in the future without surprise interest rate or payment increases.
- **Expanded qualifying ratios:** Clients may qualify for a larger/newer home to meet their needs.
- **No asset limit:** There are no limits to cash, savings, investments, or other assets.
- **Generous income limits:** Guaranteed loans are for moderate income borrowers.
- **No recapture/pre-payment penalties**
- **NOT just for first time homebuyers**
- **Clients work with a participating local lender of their choice.**

FOR MORE INFORMATION LOG ON: [www.rurdev.usda.gov/il/grh.htm](http://www.rurdev.usda.gov/il/grh.htm)

#### **IN THIS ISSUE:**

- **Benefits of Guaranteed Financing**
- **CO Alarm Detector Act**
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- **Credit and Ratio Waivers explained**
- **RD and Rehab do not mix!**

#### **Carbon Monoxide Alarm Detector Act**

On May 8, 2006 Governor Rod Blagojevich signed HB 5284, the Carbon Monoxide Alarm Detector Act into law. The act requires carbon monoxide (CO) alarms within 15 feet of every sleeping room. All residential properties with combustible fuel sources for heat, ventilation, or hot water are subject to this act. Alarms may be battery, hard-wired with a battery back up, or plug-in with a battery back up.

**Rural Development will NOT be adding CO alarms as a closing condition to any GUARANTEED loans since this is a routine home maintenance item.**

#### **RD UPDATE:**

Rural Development no longer requires the **ORIGINAL** borrower signatures on the 1980-21 Request for a Single Family Housing Guarantee. Photocopies or faxes of signed 1980-21 and AD 1048 forms will be accepted.



***This 4th of July remember to  
thank our Veterans and U.S.  
troops in the military!***



# Fannie Mae 1008 / Freddie Mac 1077 Underwriter Transmittal Summary

## Uniform Underwriting and Transmittal Summary

I. Borrower and Property Information			
Borrower Name		SSN	
Co-Borrower Name		SSN	
Property Address			
Property Type	Project Classification	Occupancy Status	Additional Property Information
<input type="checkbox"/> 1 unit	<input type="checkbox"/> Freddie Mac <input type="checkbox"/> Fannie Mae	<input type="checkbox"/> Primary Residence	Number of Units
<input type="checkbox"/> 2-4 units	<input type="checkbox"/> III Condo <input type="checkbox"/> P Limited Review New	<input type="checkbox"/> E PUD <input type="checkbox"/> 1 Co-op	Sales Price
<input type="checkbox"/> Condominium	<input type="checkbox"/> II Condo <input type="checkbox"/> Q Limited Review Est.	<input type="checkbox"/> F PUD <input type="checkbox"/> 2 Co-op	Appraised Value
<input type="checkbox"/> PUD <input type="checkbox"/> Co-op	<input type="checkbox"/> I Condo <input type="checkbox"/> R Expedited New	<input type="checkbox"/> Investment Property	
<input type="checkbox"/> Manufactured Housing	<input type="checkbox"/> S Expedited Est.		
<input type="checkbox"/> Single Wide	<input type="checkbox"/> T Fannie Mae Review		
<input type="checkbox"/> Multiwide	<input type="checkbox"/> U FHA-approved		
Project Name			

II. Mortgage Information			
Loan Type	Amortization Type	Loan Purpose	Lien Position
<input type="checkbox"/> Conventional	<input type="checkbox"/> Fixed-Rate-Monthly Payments	<input type="checkbox"/> Purchase	<input type="checkbox"/> First Mortgage
<input type="checkbox"/> FHA	<input type="checkbox"/> Fixed-Rate-Biweekly Payments	<input type="checkbox"/> Cash-Out Refinance	Amount of Subordinate Financing
<input type="checkbox"/> VA	<input type="checkbox"/> Balloon	<input type="checkbox"/> Limited Cash-Out Refinance (Fannie)	
<input type="checkbox"/> USDA/RHS	<input type="checkbox"/> ARM (type)	<input type="checkbox"/> No Cash-Out Refinance (Freddie)	(If HELOC, include balance and credit limit)
	<input type="checkbox"/> Other (specify)	<input type="checkbox"/> Home Improvement	<input type="checkbox"/> Second Mortgage
		<input type="checkbox"/> Construction to Permanent	
Note Information	Mortgage Originator	Buydown	If Second Mortgage
Original Loan Amount	<input type="checkbox"/> Seller	<input type="checkbox"/> Yes	Owner of First Mortgage
Initial P&I Payment	<input type="checkbox"/> Broker	<input type="checkbox"/> No	<input type="checkbox"/> Fannie Mae <input type="checkbox"/> Freddie Mac
Initial Note Rate	<input type="checkbox"/> Correspondent	Terms	<input type="checkbox"/> Seller/Other
Loan Term (in months)	Broker/Correspondent Name and Company Name		Original Loan Amount of First Mortgage

III. Underwriting Information			
Underwriter's Name	Appraiser's Name/License #	Appraisal Company Name	
Stable Monthly Income		Present Housing Payment	
Borrower	Co-Borrower	Proposed Monthly Payments	
Base Income		Borrower's Primary Residence	
Other Income		First Mortgage P&I	
Positive Cash Flow		Second Mortgage P&I	
(subject property)		Hazard Insurance	
Total Income		Taxes	
		Mortgage Insurance	
Qualifying Ratios	Loan-to-Value Ratios	HSA Fees	
Primary Housing Expense/Income	LTV	Lease/Ground Rent	
Total Obligations/Income	CLTV/TLTV	Other	
Debt-to-Housing Gap Ratio (Freddie)	HCLTV/HLTV	Total Primary Housing Expense	
		Other Obligations	
Qualifying Rate	Level of Property Review	Negative Cash Flow	
<input type="checkbox"/> Note Rate	<input type="checkbox"/> Exterior/Interior	(subject property)	
<input type="checkbox"/> % Above Note Rate	<input type="checkbox"/> Exterior Only	All Other Monthly Payments	
<input type="checkbox"/> % Below Note Rate	<input type="checkbox"/> No Appraisal	Total All Monthly Payments	
<input type="checkbox"/> Bought-Down Rate	Form Number		
<input type="checkbox"/> Other			
Risk Assessment	Escrow (T&I)	Borrower Funds to Close	
<input type="checkbox"/> Manual Underwriting	<input type="checkbox"/> Yes <input type="checkbox"/> No	Required	
<input type="checkbox"/> AUS		Verified Assets	
<input type="checkbox"/> DU <input type="checkbox"/> LP <input type="checkbox"/> Other		Source of Funds	
AUS Recommendation		No. of Months Reserves	
DU Case ID/LP AUS Key#		Interested Party Contributions	
LP Doc Class (Freddie)			
Representative Credit Indicator Score	Community Lending/Affordable Housing Initiative		
Underwriter Comments	Home Buyers/Homeownership Education Certificate in file		

IV. Seller, Contract, and Contact Information	
Seller Name	Contact Name
Seller Address	Contact Title
Seller No.	Contact Phone Number
Investor Loan No.	ext.
Seller Loan No.	Contact Signature
Master Commitment No.	Date
Contract No.	

Freddie Mac Form 1077 06/05

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Fannie Mae Form 1008 06/05

The Lender Checklist, 1980-DA Exhibit F, requires all underwritten and approved loan files to submit a 1008/1077 UW Transmittal Summary.

Typically the UW analysis must be more than just evidence that an UW has reviewed and approved the file, i.e., the UW's signature. The Agency expects the lender's UW to prepare a sufficiently detailed UW summary with an emphasis on the strengths and weaknesses of the individual case, such as stability of income, debt-to-income ratios, credit history, adverse credit waivers, payment shock, property considerations, and other comments pertinent to the UW decision.

Underwriter must be named OR must sign the form.

Current housing expense should be listed.

If the ratios are over 29/41 then a ratio waiver must be submitted to RD in writing.

Qualifying Note Rate: This should be at or below the Fannie Mae 90 day delivery rate plus 60 basis points, OR a published VA rate with no discount points—on the date of rate lock or at closing if floating.

UNDERWRITER'S COMMENTS: In this area the UW may provide explanations for adverse credit waivers issued, as well as request a ratio waiver with good compensating factors. Many UW's will also use this space to show income calculations.

## Credit Waivers

**Issued by: UNDERWRITER**

**Where to document:** 1008/1077 (see page 2)

**What are some examples of adverse credit that will require a waiver?**

**FOR CLIENTS WITH A 659 CREDIT SCORE AND BELOW:**

- Incidents of more than one debt payment being more than 30 days late in the last 12 months
- Foreclosure or Bankruptcy discharged less than 3 years
- Outstanding tax liens or delinquent government debts with no satisfactory payment arrangements, regardless of age
- Judgments caused by nonpayment that is currently outstanding or has been outstanding in the last 12 months
- Two or more rent payments paid 30 days or more past due date within the last 3 years.
- Accounts converted into collections within the last 12 months
- Collection accounts outstanding with no payment arrangements, regardless of age
- Any debts written off within the last 36 months

Please document WHY you are issuing the credit waiver. List compensating factors, explanations, and reasoning behind decision.

Please determine if the foreclosure, bankruptcy, judgment, collections, etc. were:

- Temporary in nature
- Beyond the applicants control
- Unlikely to reoccur in the future

**NOTE:** Evidence of above adverse credit does not mean the applicant is ineligible. Many of the above scenarios result from loss of job or spouse, divorce, or medical emergencies. Rural Development expects underwriters to use their expertise in making an informed and well documented decision.

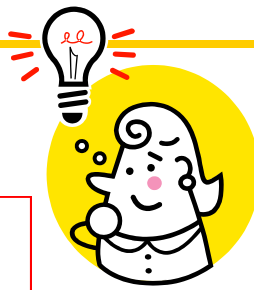
**LOG ON:** [www.rurdev.usda.gov/il/grh.htm](http://www.rurdev.usda.gov/il/grh.htm)

Under "Lender" Click on "Administrative Notices"

Check out AN 4162: Underwriting Guidelines

AN 4163: Debt Ratio Waivers

AN 4171: Credit Scores & UW



## Ratio Waivers

**Issued by: RURAL DEVELOPMENT**

**Where to document:** 1008/1077 **OR**

An emailed or written request will suffice

**What should my request for a ratio waiver include?**

Please provide strong compensating factors to highlight the strengths of the file such as:

- Credit score 660 or above
- Low payment shock (current housing expense is close to proposed payment)
- Available Reserves: no minimum required
- Previous credit history is good
- Client has potential for increased earnings, as indicated by job training or education
- Client has additional income not reflected in repayment income, i.e. pending marriage (another income enters the picture), or the other household member does not have income at this time but is seeking employment and has a good opportunity of finding a job, (known as trailing spouse income).
- Good job stability, 2 or more years with current employer

There are many others but these are the most common. There is no minimum number of compensating factors that are required when requesting a ratio waiver.

Rural Development will respond to your written ratio waiver request in writing.

**What is the maximum a client can exceed the ratios?**

There is no maximum set. Rural Development relies upon the underwriter to document the ratio waiver as well as the compensating factors that support their decision.

**RURAL DEVELOPMENT CAN DENY RATIO WAIVER REQUESTS.**





Committed to the future of rural communities.



**HAPPY 4th  
OF JULY!**

USDA is an equal opportunity provider, employer, and lender. To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C., 20250-9410 or call (800)795-3272 (voice) or (202)720-6382 (TDD).



## **RD does not stand for Really Dilapidated!**



**Got a client seeking to purchase the perfect “fixer upper” or “Handyman’s Dream”?**

**Rural Development is NOT the loan program for rehabs!**

Rural Development does not allow homeowners to be the contractor they always knew they could be—installing their own electrical wiring and plumbing. The FHA 203k loan was introduced specifically for renovating a home. Clients may even roll up to 6 months of housepayments into the loan while they work away like Bob Vila! There is a small downpayment necessary which is where most clients pass on this loan because,—**many clients possess no downpayment!** With no money down, and little to no savings what part of buying a home in need of many major structural and mechanical repairs makes sense?

Rural Development’s mission is to help more citizens in rural communities become successful homeowners. This does not mean that any house regardless of condition will qualify. Purchasing a “distressed” home with plans to gut it sub flooring to shingles with loan funds does not qualify for Rural Development guidelines.

Rural Development wants to see your clients purchase a home they can move into immediately and live without fear of furnace fires, seeping roofs, overflowing septs, or other major structural or safety hazards. GUARANTEED financing is not a rehabilitation loan nor is it directed towards low income and poor credit clients.

### **BENEFITS OF 100% GUARANTEED FINANCING:**

**\*No downpayment necessary    \*No maximum purchase price    \*Expanded ratios increase buying power**

**\*Grant funds/Buydowns/I-Loan certificates, etc. increase affordability**

**Help your clients purchase a home of their dreams TODAY!**

